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AMERICA'S PRESENT AND FUTURE ECONOMY

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After Professor Cassel, Professor Myrdal is regarded as Sweden's leading economist and a specialist on American affairs, having paid many visits to the USA, three of them during the present war. About himself Myrdal writes: "Next to his own country, the author loves America best . . . . He is one of those who have hated Fascism and Nazism from the beginning and have made no secret of it."

In the spring of 1944 he returned from the last of his American trips and published the result of his findings in a book. Among the political publications reaching us from neutral countries during the last few months, we consider Myrdal's book to be one of the most important, containing as it does an analysis of present-day America by a European expert. The following is a condensed translation of his chapter on America's economic problems.— K.M.

WAR BOOM

WHEN the second World War began, American national income had, after the depression of the thirties, not yet regained the boom level of the twenties. Whatever merits the New Deal may have had in the social field, it failed as an economic policy in attaining its main goal, namely, increased production and employment. At the outbreak of war, the number of unemployed amounted to 10 to 12 million, and this figure does not even include the millions of idle hands in agriculture. The American economic system employed 2 million people less in 1939 than in 1929, although the population had increased by 10 millions in the intervening ten years.

Rearmament succeeded where the New Deal had failed: it managed fully to exploit America's tremendous productive capacity. Rearmament, which began after Hitler's world-shaking conquests in the spring and summer of 1940 and went into high gear after the Pearl Harbor disaster in December 1941, lifted American trade and industry from stagnation to capacity output within an incredibly short time. As early as the second half of 1942, unemployment was reduced to a minimum and, in many fields, even gave way to a perceptible shortage of labor. Millions of unskilled laborers have become skilled during the war; simultaneously, the number of young men called to the colors has mounted from a few hundred thousand to almost 11 million. The number of laborers actually employed in production has risen by 7 million. The number of female workers grew from 13 million (including 2 million unemployed) before the war to 18 million in the autumn of 1943, and the proportion of women in production has gone up to one third of the total labor. Moreover, working hours have been increased from an average of 38 hours in 1939 to 45 hours per week.

20 billion dollars' worth of new plants have been put up, while the total of industrial investments, after deduction of amortizations, amounted to 26 billion dollars before the war. The total value of production in America, which in 1940 had still amounted to less than 100 billion dollars, had reached an annual level of 200 billion dollars by December 1943. Even taking into account the rise in prices, this represents an increase in production of at least fifty per cent.

From 1939 to 1943 the total wages paid by industry had tripled. The nominal in-

dustrial wages have risen by an average of 50 per cent, but the increase in the cost of living has canceled about half of this rise. For 1943 the profits of the industrial concerns, after deduction of almost 14 billion dollars of taxes, were calculated at more than 8 billion dollars, which represents an absolute record and is twice as much as in 1939. The driving force in this boom is, of course, war production, which at present accounts in value for half of the entire production.

In 1943 the state laid claim to about half of the current national income. But although the government revenue has increased almost tenfold since the thirties, no more than about one third of the war costs could be financed from taxes. The national debt, which amounted to about 40 billions in 1939, will probably amount to 210 billions by July 1, 1944, and it is reckoned that it will have reached some 300 billion dollars by the end of the war. (In comparison, it is interesting to recall that, at the end of the Great War, America's national debt stood at approximately 25 billion dollars.)

THE PRICE PROBLEM

On the basis of this economic development, one would have expected a mighty rise in prices. I must admit that, while feeling confidence in the actual carrying out of the gigantic American economic plans, I had anticipated a violent explosion of purchasing power to force up prices. But I was mistaken. In America, prices have risen less than here in Sweden or in England. The cost-of-living index has risen no more than about 25 per cent and the wholesale index by some 40 per cent since 1939. (During the Great War, the wholesale index was already 100 per cent higher at the corresponding stage after the outbreak of war.) One may distrust price indices, but the fact cannot be denied that the price increase has only been a slight one.

On the whole, prices for goods in the early stages of production have gone up more than for finished goods. While the prices for raw materials are more than 60 per cent above the prewar level, finished industrial products have risen in price by no more than about 25 per cent. Agriculture received on an average 100 per cent more for its products, while the Administration, with the aid of subsidies, did not let retail prices for foodstuffs rise more than 45 to 50 per cent.

I must admit that the question as to why no larger rise in prices has taken place is hard to explain, and I must limit myself to mentioning a few factors which have contributed to this state of affairs. First of all, civilian production has, in spite of the tremendous extension of war production, been maintained and in some sectors even increased. While in England actual consumption in 1942 was already 20 per cent *below* the prewar level, it was in the same year 13 per cent *above* the prewar level in America. It is true that the production of all goods interfering with war production has been reduced or even stopped. But the production of the remaining consumption goods has risen in comparison to the civilian population, which has been reduced as the result of conscription. Agricultural production, for example, has been increased to such an extent that the consumption of foodstuffs is considerably higher than in 1939. Rationing was necessary only to prevent an excessive increase in consumption as a result of the rising income. Another factor was provided by the speculative hoarding up to Pearl Harbor, which made it possible later on to draw upon large stocks for supplying the demand.

But both these explanations do not suffice, as the gap between the income of the consumers and the supply of goods has become wider and wider. While the sum total of incomes paid after deduction of taxes has been calculated at 126 billions for 1943, the expenditure for consumption during the same year amounted to only 88 billions. The "inflationary gap" of 38 billions of unused purchasing power represents almost one third of the total income. The major part of this surplus is saved or, to put it perhaps more correctly, not consumed. It is this immense saving, calculated to total 100 billion dollars for the years 1942, 1943, and 1944, which needs to be explained.

AMERICANS AND PRICES

It would appear that the consumption habits of people are far more rigid than we economists have always believed. When the Americans found themselves with rising incomes but unable to buy automobiles, refrigerators, washing machines, or radios; when textile goods became not only more expensive but also poorer in quality; and when some of the daily requirements were rationed, people apparently did not have enough imagination and intelligence to use

their money for other sensible purposes: they simply kept it. The money was used to pay off mortgages and installment debts or to pay cash for things formerly bought on credit, or it was paid into the bank. Incidentally, a similar trend made itself felt in England.

In conversations with American colleagues I sometimes heard the idea voiced that the Americans might have a somewhat different reaction to the danger of inflation than we Europeans. Economists have generally assumed that when the public fears an increase in prices it seeks safety in goods. People want to buy before prices have risen. In America there has been a lively discussion of the danger of inflation since the beginning of the war. Hence the psychological conditions for a demand and consequently a price increase should have existed. But, so I was told, the average American would on the contrary be more inclined in such a case to keep liquid assets in order to be ready to seize a really good chance for speculative buying in expectation of the approaching rise in prices. In other words, his penchant for taking a chance would work as a price-stabilizing factor. I have mentioned this theory to show how obscure the entire question of price trends in America still is.

That any large increase in prices can also be prevented during the further course of the war is to be assumed from the fact that increasing quantities of raw materials can be made available for civilian consumption. In the same measure in which the production of goods for civilian requirements increases, so the "inflationary gap" will diminish.

On the other hand, the effect of domestic political developments on prices cannot yet be predicted. The antiadministration bloc in Congress, consisting since the elections of 1942 of reactionary southern democrats and conservative Republicans, is consciously or unconsciously pursuing an inflationary policy, opposing the Treasury's proposals for new taxes to reduce the "inflationary gap." Congress also opposes the continuation of foodstuff subsidies by which the prices for food are being kept down. The success of this opposition would represent a grave threat to the price-stabilization program. For if the foodstuff subsidies were to be abolished and the cost of living rose, the familiar inflationary spiral with the cost of living and wages exerting a reciprocal effect upon each other might easily be set in motion.

AGRICULTURE

The total number of employed in agriculture has not changed, having remained at some 10 millions. Production, however, has increased by about one third in comparison to the average of 1935/39. This rise is not surprising in view of the fact that the entire prewar agricultural policy was directed at enticing the farmers to reduce production with the aid of subsidies. There has been no increased mechanization. What with increased production and doubled prices, the income of the farmers has been tripled. The rise in food prices is largely responsible for the mounting index of the cost of living. Behind this development stands the farm bloc, which wields great influence within the Congress majority; but by means of wide, skillful publicity the farm bloc has managed not to lose the sympathy of the American people. Indeed, the American farmers have been getting away with murder, as the Americans say.

In my opinion, a serious error was committed in the agricultural policy of the United States when it did not seize upon the chance offered by the war of putting agriculture back on a sound basis. We must bear in mind the fact that large agricultural regions are considerably overpopulated. In the advanced agricultural regions with their almost industrial form of production, American agriculture is at a high level. But the majority of the rural population in America carries on a very primitive form of agriculture. One third of all the American farmers raise 80 per cent of all marketed products. Among the remaining two thirds there are many pure proletarians living at an incredibly low standard, especially in the Southern states.

Now the war has presented America with a chance that may never return again to take the poor slaves of the soil from the overpopulated proletarian agricultural regions and put them into war production or the Army. America's agricultural production, which hardly depended on the sharecroppers, would not have suffered; moreover, production in general could have been increased considerably by mechanization. But this policy did not suit the large landowners in the South. By influencing legislation and by corrupt application of the laws, they managed to have even unproduc-

tive farms declared "war-essential." As a result, the owners or tenants of such farms were exempt, although even experts in the Administration were ruthlessly called to the colors if they happened to be of the right age, and although the shortage of labor represented an obstacle to rearmament that could sometimes hardly be surmounted. What was worst, however, was that these agricultural laborers and small tenants in the South now became entirely dependent on the large landowners, whose whim determined whether they would be called up or not. Thus a new foundation has been laid for that particular kind of American serfdom.

Nothing has been said in America about this scandal in the agricultural policy. The silence is a result of the fear of the reactionary bloc dominating Congress. The retaining of superfluous labor in America's agriculture must one day have an intensifying effect on the great overproduction crisis in world economics which all experts expect to occur once the food shortage of the war and the first few postwar years has been overcome.

THE PROBLEM OF READJUSTMENT

The most interesting fact about the American boom is that it has remained stable so far, although the phase of investments has long been left behind. The main reasons for the stability of the boom are :

(1) the strong Government demand for war-essential goods;

(2) the centrally directed production and price formation. America's postwar economic problem is: what will happen (1) when the Government demand for war-essential goods gradually diminishes and ceases, and (2) when enforced regulation is replaced by free enterprise?

Outside of Germany and Russia there is no record in history of a boom ever having been stabilized. In a liberalistic-capitalist society a boom is always followed by a crisis and depression. During the thirties America did not even succeed in the more simple task of overcoming a depression, and to stabilize a boom is far more difficult. How can a chaos be prevented?

The Americans themselves are quite optimistic and believe that they will be able to stabilize the war boom in peace time and at the same time to remove the present government control of economics. This optimism is promoted by such organizations as the US Chamber of Commerce. The fact that their endeavors have not been without success is revealed by the polls conducted by *Fortune*: when America entered the war in 1941, no more than 10 per cent of the population believed in the possibility of escaping widespread unemployment after the war; today, however, 80 per cent of those who are employed are convinced that they will keep their jobs after the war.

I shall attempt to analyze the psychology of this surprising optimism. It is, so it seems to me, a result of the successful carrying out of the production program during the war which has given the Americans an increased self-confidence. Yet this success was only possible with an unlimited purchasing power and an incessant demand. After the war, the situation will change, especially if sound finances are aimed at. To a certain extent, the present mood in America reminds one of the mood of the late twenties when economic circles and, I am ashamed to say, even economists were convinced that there would never be a depression again. The year 1929 showed that all the optimism in the world cannot prevent a crisis.

POSTWAR EMPLOYMENT

Let us consider the problems one by one and begin with that of employment. When peace is signed, the armed forces—which at the peak of the war absorbed about 11¼ million Americans—will be demobilized. Assuming that 2½ millions will remain under the colors, this means that 9 millions will have to be re-employed by peace-time production.

War production will largely be discontinued. Aircraft production will be reduced to perhaps 5 per cent, shipbuilding to 7 to 10 per cent. The manufacture of machine tools during the last three years was on an average ten times greater than during any prewar year. This industry now has a capacity great enough to supply a country like Italy with all its machine tools within six weeks. Today this industry is already working at no more than 75 per cent of its capacity. Even under the most favorable conditions of transport to Russia, China, and countries with a poorly developed industry, it can hardly be assumed that its output will be more than 60 per cent of its present one.

Synthetic-rubber production has been estimated at 800,000 tons for 1944, i.e., two thirds of the entire world's rubber production

before the war and one third more than the entire annual prewar requirements of the USA. Unless America places an embargo on the import of natural rubber—which would seriously prejudice the interests of the rubber-growing countries—her synthetic rubber production cannot be maintained anywhere near its present level. The output of the steel industry has increased by 80 per cent, so that here, too, curtailments will be necessary. Aluminum production has risen tenfold since 1938, amounting to 900,000 tons in 1943. 80 per cent of this production goes to the aircraft industry, whose output we have assumed will decline to 5 per cent. Magnesium production has risen from 2,410 to 300,000 tons. Although an increasing employment of these light-weight metals in civilian production is expected after the war, the quantities involved are not very great.

Let us therefore assume that the demand for labor in the war industry will be reduced by some 5 millions or more, at least 4 millions of which in the aircraft, shipbuilding, steel, and machine-tool industry. On the other hand, the demand for labor in other industries where it declined during the war —paper, textiles, leather, furniture, etc.— will rise, let us say by 1 million or more. Hence altogether 4 million laborers will have to be discharged. This would mean that, in comparison to the 10 million industrial workers before the war and the 18 millions today, there would be 14 million laborers employed in industry after the war—certainly a very optimistic assumption.

Some 500,000 hands will be released from the transportation system, and another million from the tremendously inflated Administration. Including the 9 million men discharged from the armed forces, there will be a total of 14½ millions looking for jobs. It should be borne in mind that all these figures are based on the assumption that the rest of America's economy will continue at full capacity. Should any unemployment occur in other than the fields named here, the number of laborers without jobs would increase correspondingly.

CONJURING WITH FIGURES

Where are these 14½ million hands to find work in peace-time production? Let us assume that 3 to 4 million women, young people, and oldsters will voluntarily withdraw from the process of production. A million will return to agriculture, although from the point of view of efficiency this is

(St. Louis *Post Dispatch*)

The Final Invasion

pure madness. Working at full capacity, commerce might be able to employ another 2 to 3 millions. Domestic service and other similar jobs might take care of a maximum of 3 millions. Assuming an unemployment figure of 3 millions, there remain another 2 to 3 millions who could be employed in the building industry.

So the conjuring trick has succeeded and the work problem has been solved! One often meets with calculations of this kind in America. As a "proof" of the economic optimism this calculation is useless, for it is wholly static. It presumes the probability of that which is to be made probable, namely capacity production. If we assume, however, that there will be no capacity production, then the releasing of labor in all branches of industry will take on far greater proportions and the possibility of finding new jobs will be correspondingly smaller.

Next let us look at a calculation based on production and income rather than employment. I refer in this connection to a book published by the Department of Commerce, *Markets After the War* by S. Morris Livingston, the bible of the optimistic postwar planners. Livingston defines full employment in 1946 more or less as follows. In 1940 there were 9 million unemployed and 46 million employed. By 1946, as a result of the increase in population, the total number of people available for employment will have grown by 2½ millions. On the other hand, some 5 million women, aged, and young

people, who were not employed before the war, will leave the labor market again. The armed forces will require 2 million men instead of 500,000 before the war. The number of unemployed will presumably be 2 millions. In order to achieve that which Livingston calls full employment, the number of employed would hence have to be 10 million higher in 1946 than in 1940. In view of the increase in the work productivity per hour of about 2½ per cent per annum, and taking into account an average working week of 38 hours, this would necessitate an increase of 50 per cent in total production compared with prewar times.

Livingston admits that the situation would be quite different if 1946 were to supply only the same volume of production as 1940, which latter was by no means low in comparison to the thirties. In that case, unemployment would, in addition to the 9 million of 1940, include the 2½ million new hands and another 8 million released as the result of the increased work productivity per hour, thus totaling almost 20 million.

PARADOXES

I have tried to find out how the various branches of industry gauge their own prospects in comparison to Livingston's plan and have discovered that they reckon with much lower figures. In other words, the manufacturer believes there will be full employment in America *as a whole*; but for *his own* industry he usually foresees a production far below that taken into account by the Livingston plan.

Where are the purchasing power and demand for goods to come from to justify an increase of production of 50 per cent over the prewar production when the Government ceases to require almost half of the national production for the war? Can anyone seriously believe that the American industrialist will step up and tell the people that the grave economic situation forces them to propose a vast increase in the level of wages in order to provide sufficient purchasing power to permit industry to work at full capacity? Things like that don't happen, not even in fairy tales. On the contrary, the manufacturers are demanding a lowering of wages and declaring that, as a result of price control, the price of industrial goods has risen much less than wages. (As a matter of fact, the net profit per unit produced has sunk by approximately 10 per cent.) If, however, wages are not raised but even reduced, the necessary purchasing power for capacity production disappears and the downward spiral of depression is set in motion.

But let us for the sake of argument assume that the manufacturers will in a fit of reckless generosity agree to a certain increase in wages. Let us furthermore assume that the Government will contribute the additional purchasing power—procured by means of vigorously underbalancing the budget—to continue the boom. Even assuming these highly improbable conditions, it is unlikely that the consumers will have enough confidence in the future, and enough intelligence, imagination, and culture really to raise their standard of living so rapidly and to such an extent as would be necessary for capacity production. Raising consumption by 50 per cent is a feat imposing higher demands on the consumers than they can be expected to meet. If, on the other hand, the consumers do not transform their income into purchases to a sufficient degree and very rapidly, the boom will collapse like a house of cards as soon as the war demand declines.

POSTWAR PROSPECTS

We must now examine the various factors influencing the postwar prospects. Let us first study those favoring a continuation of the boom. At the end of the war there will be quite a number of factors contributing toward a demand for goods. Merely to replenish exhausted stocks there is likely to be a demand for goods totaling some 10 billion dollars in value. To this must be added the extraordinary demand for American products that will arise from the relief activities of the UNRRA.

Great hopes are placed in the so-called "deferred demand," i.e., the demand for goods which could not be met during the war—from cooking utensils to automobiles. In 1941 there were, for example, 27 million private cars in use in the USA. By the beginning of 1945 this number will have been reduced to about 20 millions by normal wear-and-tear, while at the same time the population will have increased. Behind this deferred demand stand the vast savings made during the war. I do not believe, however, that the greater part of these savings will appear as purchasing power on the market; they are more likely to be kept in the form of capital. Alvin Hansen reckons that the total demand for consumption goods during the first two years

after the war will amount to about 10 billion dollars per year. (At present it is around 3 billion dollars, and in 1937 it was 7.6 billion dollars.) At any rate, this demand will not result in an increase of employment but at the most in a curtailment of dismissals. Even if automobile production were to be increased from the 6 millions of the top year of 1937 to 8 millions, the automobile industry would be forced to discharge several hundred thousand men. This fact is often overlooked.

The chief hope is placed in a brisk building activity. The economic stagnation of the thirties and the building restrictions during the war have indeed created perfect conditions for a building boom immediately after the war. But even under the most favorable conditions and with the support of a vigorous public building policy, the building of houses can be increased at most to 5 billion dollars per annum for a short period of time. Even this would mean that 1½ million homes must be built every year, which is a very large figure. As a result of the big investments in new factories, etc., during the war, other building activities cannot amount to much, at most 2 to 3 billion dollars per year.

Among the factors favoring production, the Americans also count the assumption that the war will continue on one front or another even after it is over on other fronts. Should, however, the war end simultaneously in all theaters, this would lead to a sudden cessation of war requirements and to an economic catastrophe in America. The cry has already been raised that Government requirements, which amount at present to 100 billion dollars per annum, must not sink to less than 30 billion at the end of the war. It strikes one as ironical when, in conversations, the high Government expenditure after the war is mentioned as a reason for consolation even by the champions of sound state finances. Actually, the demand for a balanced budget has practically disappeared in America, and I predict that, at least in the coming decade, we shall not see a balanced federal budget again in America.

UNFAVORABLE FACTORS

Now let us turn to those factors which are unfavorable to capacity production. First of all there is the fact that the change-over of America's economy from war to peace will entail at least a temporary wave of unemployment. Secondly, the wages paid in the war industry, which will then disappear to a large extent, were particularly high. Moreover, the return to normal working hours will have an unfavorable effect on the sum total of wages paid, as large premiums are paid for overtime. Thirdly, America will develop "depressed areas" such as England had after the Great War, but on a vastly increased scale. Since 1940 the population of thirty so-called "war centers" in America has risen by 10 to 60 per cent. California, Oregon, and Washington will be badly hit by the shrinking of the aircraft and shipbuilding industry, and it is not improbable that every second laborer in a state like California will be out of a job. The states of the Old South will be even more directly affected by mass unemployment. Here there are many munitions factories and other plants for which there will be no use after the war.

Fourthly, the American economic and social policy is confronted with a gigantic problem raised by the necessity of shifting the labor forces as rapidly as possible to those centers most likely to require them under peace-time conditions. It is true that formerly the American laborers were very mobile; but in future this cannot be counted upon. Many of those, for example, who moved to the West Coast with all its natural charms during the war will wish to remain there, even under unfavorable employment conditions. They will all hope for improvement and think that unemployment will not hit them personally. The fact that the anticipated 15 million war veterans who, together with their relatives, will dominate American politics after the war, will insist on high relief payments for the jobless will also not contribute toward the mobility of the laborers. The stagnation of the thirties has proved how immobile the working classes of America are today.

These problems are all the more serious as a deterioration in the relations between employers and employees must be reckoned with after the war. As we have already mentioned, the employers are demanding a reduction of wages. The employees, on the other hand, are demanding compensation in the form of increased wages after the war for their loyal attitude during the war and their acceptance of the Government's wage-stop policy. If we take into account the disturbed state resulting from the process of changing over and the mass unemployment in the areas of war production, as well as a probably very complicated domestic-political

situation, we are bound to reckon with a radicalization of the labor classes, with conflicts in the employment market, and with a growing acuteness of the racial problem. An epidemic of serious and perhaps bloody conflicts in the labor market would naturally have a very depressing effect on economic developments.

PROBLEMS THEY SPEAK ABOUT

All these things are rarely mentioned in America, so that discussions of the future have an atmosphere of unreality and illusoriness. Instead, other postwar questions are discussed all the more vigorously.

(1) One of these problems is the future of the stocks belonging to the Government. In order to be able to carry on the war, the armed forces must always have at their disposal immense stocks of goods of all kinds down to shoes and provisions. These stocks, which will be worth some 60 billion dollars at the end of the war, will have a depressing effect on economics.

(2) Even more difficult is the problem of the war-supply contracts in force at the end of the war. It has been calculated that there will be current contracts for goods worth 75 billion dollars at the end of the war, about ten times as much as at the end of the Great War. These contracts are distributed among about 100,000 chief contractors, who in turn have more than a million subcontractors. Thus the greater part of American industry is involved in the coming giant settlement between Government and industry. One of the main conditions for a smooth change-over in economics is that the quickest possible clarification is effected in this field. For this, legislation is needed to fix the rates of compensation to be paid to the suppliers for their canceled contracts, a legislation on which as yet no agreement has been reached. Moreover, the situation requires an extremely involved legal administration to deal with each case individually. And in most cases, this clarification can only be effected after the war, i.e., during the actual period of readjustment. The military purchasing organizations have already begun to cancel one order after another. The question as to the order in which cancelations are to take place will play an important role. Those enterprises which are first released from their contracts will have an advantage over the others in the struggle for the postwar market. The way matters are now, it is to be expected that those enterprises working at the highest cost of production will be the first to have their contracts canceled, as this would mean the greatest saving to the Treasury. Hence the least efficient manufacturers would be given an extra chance to be the first to switch over to peace-time production.

(3) The most difficult winding-up problem confronts the Government-owned plants. Of the 20 billion dollars' worth of new factories built during the war, three quarters belong to the Government, representing an investment of 15 billion dollars. Some fields are entirely dominated by Government-owned industry.

These factories are solidly built and have the most modern equipment. For a quarter of them there is no use whatever in peace. The remainder could be adjusted to peace-time production.

	Proportion of Government owned Production *(in per cent)*
Synthetic rubber	100
High-octane aviation gasoline	100
Magnesium	92
Aircraft	90
Aluminum	50
Machine tools	50

What is America to do with this Government sector of her industry? To let it continue in the form of Government enterprises would be against every American tradition. The most natural solution would be to have it taken over by private industry. But at what price? Industry has already pointed to the fact that as a result of the hectic times in which they were erected the building costs of these plants were abnormally high, that the plants are by no means always favorably located, that many of them would have to be rebuilt for peace-time production, etc.

It is extremely important that all these questions be clarified as quickly as possible in order that the process of adjustment is not impeded. But if the Government were, for this reason, to sell the factories cheaply, then the agricultural population and probably small business circles, too, would raise a storm, calling attention to the corruption scandals after the Great War. If, on the other hand, the selling prices were high, the plants would remain unsold. The suggestion has been made that the dilemma could be avoided by leasing the factories to business concerns. But that would be no solution.

The situation is further complicated by the fact that it is really only the giant corporations which can be considered as partners for the Government, as all the plants are of gigantic size. Among the enterprises financed by the Government, 12½ per cent represent an investment value of 100 million dollars each, and 30 per cent (including the above 12½ per cent) one of 50 million dollars or more each. Only 4 per cent are valued at less than 1 million dollars each. Hence the idea advocated in America that the small businessman should be given preference in the disposal of Government-owned enterprises is merely an illusion.

Anyway the war has entailed a strongly emphasized trend toward large enterprises. The awarding of war contracts favored the large enterprises, as there was usually a need for rapid deliveries. Moreover, the restriction of civilian production decreed in 1941 and 1942 chiefly hit the small enterprises. However, toward the end of 1942 and in 1943 the small enterprises were given a new chance when the large enterprises saw themselves forced to employ subcontractors. But this has also entailed a growing dependency of small enterprises on the large industrial corporations.

* * *

I regard it as my duty to warn my countrymen of two great illusions:

(1) That America will succeed in stabilizing her economy after the war.

(2) That the Americans and British will succeed in building up a satisfactory international economic system for themselves, for us, or for the world.

In my opinion everything points to the fact that America is drifting into a turbulent economic development after the war which will very soon culminate in a depression and mass unemployment. Moreover, it is very likely that all the fine plans for the liberation and stabilization of world economics will remain empty promises, so that the international problems will on the whole be unsolved when peace breaks out. This would mean an economic order in the world worse than that existing before the war.

CARTOON OF THE MONTH

By SAPAJOU

Turkish Demitasse